

LAFAYETTE TOWNSHIP

MEDINA COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 and 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Lafayette Township
6776 Wedgewood Road
Medina, Ohio 44256

We have reviewed the *Independent Accountants' Report* of Lafayette Township, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Lafayette Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 30, 2012

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LAFAYETTE TOWNSHIP
MEDINA COUNTY

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Lafayette Township
Medina County
6776 Wedgewood Rd
Medina, Ohio 44256

To the Board of Trustees:

We have audited the accompanying financial statements of Lafayette Township, Medina County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

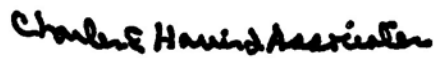
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Lafayette Township, Medina County, as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 3, during 2010 Lafayette Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

Charles E. Harris & Associates, Inc.
September 20, 2012

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 48,237	\$ 954,732	\$ 1,002,969
Charges for Services	-	114,775	114,775
Licenses, Permits and Fees	7,202	7,167	14,369
Fines and Forfeitures	1,216	-	1,216
Intergovernmental	181,398	237,886	419,284
Earnings on Investments	1,853	261	2,114
Miscellaneous	581	3,470	4,051
<i>Total Cash Receipts</i>	<u>240,487</u>	<u>1,318,291</u>	<u>1,558,778</u>
Cash Disbursements			
Current:			
General Government	181,447	10,700	192,147
Public Safety	1,146	622,397	623,543
Public Works	-	320,554	320,554
Health	-	1,318	1,318
Capital Outlay	13,361	255,571	268,932
<i>Total Cash Disbursements</i>	<u>195,954</u>	<u>1,210,540</u>	<u>1,406,494</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	44,533	107,751	152,284
Other Financing Receipts (Disbursements)			
Transfers In	-	13,650	13,650
Transfers Out	(13,650)	-	(13,650)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,650)</u>	<u>13,650</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	30,883	121,401	152,284
<i>Fund Cash Balances, January 1</i>	<u>534,848</u>	<u>2,088,797</u>	<u>2,623,645</u>
Fund Cash Balances, December 31			
Restricted	-	2,210,198	2,210,198
Assigned	1,180	-	1,180
Unassigned (Deficit)	564,551	-	564,551
<i>Fund Cash Balances, December 31</i>	<u>\$ 565,731</u>	<u>\$ 2,210,198</u>	<u>\$ 2,775,929</u>

The notes to the financial statements are an integral part of this statement.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 54,955	\$ 1,010,020	\$ 1,064,975
Charges for Services	-	100,010	100,010
Licenses, Permits and Fees	7,621	-	7,621
Fines and Forfeitures	1,790	-	1,790
Intergovernmental	208,500	242,644	451,144
Earnings on Investments	3,557	585	4,142
Miscellaneous	1,510	700	2,210
	<u>277,933</u>	<u>1,353,959</u>	<u>1,631,892</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
General Government	208,847	6,098	214,945
Public Safety	885	708,100	708,985
Public Works	-	365,473	365,473
Health	339	9,783	10,122
Capital Outlay	-	516,594	516,594
	<u>210,071</u>	<u>1,606,048</u>	<u>1,816,119</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	67,862	(252,089)	(184,227)
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	5,672	115,000	120,672
Transfers In	-	2,678	2,678
Transfers Out	(2,678)	-	(2,678)
	<u>2,994</u>	<u>117,678</u>	<u>120,672</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	70,856	(134,411)	(63,555)
<i>Fund Cash Balances, January 1</i>	<u>463,992</u>	<u>2,223,208</u>	<u>2,687,200</u>
Fund Cash Balances, December 31			
Restricted	-	2,088,797	2,088,797
Unassigned	534,848	-	534,848
	<u>534,848</u>	<u>2,088,797</u>	<u>2,623,645</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 534,848</u>	<u>\$ 2,088,797</u>	<u>\$ 2,623,645</u>

The notes to the financial statements are an integral part of this statement.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Lafayette Township, Medina County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. Investments in STAR Ohio are recorded at share value.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Sheriff's Contract Fund - This fund is used to account for a portion of property tax revenue received and used for the purpose of providing police protection services for the Township.

Fire and Rescue Fund - This fund is used to account for a portion of property tax revenue received and used for the purpose of providing fire protection and emergency medical services for the Township.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

For December 31, 2010, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$649,121	\$1,498,596
Certificates of deposit	0	952,396
Total deposits	649,121	2,450,992
STAR Ohio	2,126,808	172,653
Total investments	2,126,808	172,653
Total deposits and investments	\$2,775,929	\$2,623,645

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution’s public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Change in Accounting Principle and Restatement of Fund Balance

Reconciliation errors were noted for previous years causing the following restatements. Also, for fiscal year 2010, the Township reclassified the Zoning fund as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2009	GASB 54 Change in fund structure and errors	Adjusted Fund Balance at December 31, 2009
General	\$442,991	\$21,001	\$463,992
Special Revenue	\$2,235,445	(\$12,237)	\$2,223,208

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$247,635	\$240,487	(\$7,148)
Special Revenue	1,269,481	1,331,941	62,460
Total	\$1,517,116	\$1,572,428	\$55,312

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$278,940	\$210,784	\$68,156
Special Revenue	2,467,489	1,284,332	1,183,157
Total	\$2,746,429	\$1,495,116	\$1,251,313

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$218,454	\$283,605	\$65,151
Special Revenue	1,233,011	1,471,637	238,626
Total	\$1,451,465	\$1,755,242	\$303,777

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$270,645	\$212,749	\$57,896
Special Revenue	2,667,257	1,813,527	853,730
Total	\$2,937,902	\$2,026,276	\$911,626

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

5. Property Tax (Continued)

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. Debt

The Township has no debt outstanding in 2011 or 2010.

7. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS), except certain volunteer fire and rescue personnel who are covered under Social Security. OPERS is a cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$16,800.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$22,720	\$21,534

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

9. Contingent Liabilities/Subsequent Events

Management believes that there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lafayette Township
Medina County
6776 Wedgewood Rd
Medina, Ohio 44256

To the Board of Trustees:

We have audited the financial statements of Lafayette Township, Medina County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 20, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2010, we noted the Township implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2011-01 and 2011-02.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we have reported to management of the Township in a separate letter dated September 20, 2012.

We intend this report solely for the information and use of management, the Board of Trustees, the finance committee and others within the Township. We intend it for no one other than these specified parties.



Charles E. Harris & Associates, Inc.
September 20, 2012

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2011-01–Non-Compliance Citation and Material Weakness

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

During 2011 and 2010, the Township had the following misclassifications or postings:

2011

- General Government disbursements in the Fire and Rescue Fund were posted as Other Financing Uses.
- Capital Outlay disbursements in the Fire and Rescue Fund were posted as Public Safety.
- Tax assessment fees for the General Fund were incorrectly posted to the Fire and Rescue Fund.

2010

- An Intergovernmental receipt in the General Fund was posted as a Miscellaneous receipt.
- Proceeds from sale of capital assets in the Fire and Rescue Fund were posted as Miscellaneous receipt.
- Proceeds from sale of capital assets in the General Fund were posted as Charges for Services in the Sheriff's Contract Fund.
- Public Safety disbursements in the Fire and Rescue Fund were recorded as General Government.
- Public Safety disbursements in the Fire and Rescue Fund were posted as Other Financing Uses.
- Public Work disbursements in the Road and Bridge Fund were posted as Other Financing Uses.
- Tax assessment fees for the General Fund were incorrectly posted to the Fire and Rescue Fund.

The financial statements and Township's records have been adjusted to properly reflect these transactions.

We recommend that the Township implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers. Management could use the Ohio Township Handbook, the Uniform Accounting Network manual and other Auditor of State literature to assist in the classification of receipts and disbursements.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS – (continued)
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number 2011-01–Non-Compliance Citation and Material Weakness (continued)

Management Response:

The UAN system contained inaccurate code assignments for certain permanent entries previously installed. The current fiscal officer has corrected many of the coding errors carrying forward from the past as they are detected and will continue to monitor the UAN system and accounting records to ensure that such errors are prevented in the future.

Tax assessment fees assigned to the fire station were properly posted based on the parcel assignment on the tax bill. However, in 2012 it was learned that the County Auditor’s office had incorrectly assigned assessments for multiple parcels to the fire station facility parcel number and bill. The corrections been made. Future assessment bills should reflect the correct parcel numbers.

Finding Number 2011-02 – Non-compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF FINDINGS – (continued)
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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Finding Number 2011-02 – Non-compliance Citation (continued)

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not make the proper certification of funds in all instances. Twenty-seven of 52 selections tested during the audit period had the certifications after the obligation date or “then and now” certificates under \$3,000 that were not Board approved. We noted most of these items were due to departments ordering goods or services before completion of a purchase requisition or otherwise notifying the Fiscal Officer of such purchases.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability.

Management Response:

Although this is a typical finding due to practical difficulties, a response and continued efforts for improvement are appropriate. It has been the practice of the fiscal officer to timely verify the availability of funds. However, even submitting purchase orders for board of trustee approval at the first available meeting, there is a practical difficulty obtaining that approval when the board of trustees meets once a month. When a problem arises, the Township has issued “then and now” certificates for purchases already made. Nonetheless, the fiscal officer will continue efforts to prohibit department heads from making purchases without approved purchase orders from the Board of Trustees unless a bona fide emergency exists.

**LAFAYETTE TOWNSHIP
MEDINA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011 and 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-01	Receipts and disbursements not recorded properly	No	Not Corrected. Reissued as 2011-01
2009-02	ORC Section 5705.38, Appropriations amended in accounting system without approval of Trustees	Yes	No longer valid
2009-03	Bank reconciliation not performed properly	Yes	No longer valid
2009-04	ORC Section 5705.41 (D) Certification of fiscal officer	No	Not Corrected. Reissued as 2011-02
2009-05	ORC Section 570.39, Appropriation exceeding total estimated resources	Yes	No longer valid



Dave Yost • Auditor of State

LAFAYETTE TOWNSHIP

MEDINA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 13, 2012